

Message Text

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ACTION EUR-12

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R 101220Z AUG 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 1319
INFO ALL EC CAPITALS
USMISSION GENEVA 7959

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USEEC

GENEVA ALSO FOR MTN
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E.O. 11652: N/A

TAGS: EEC, EGEN, ETRD

SUBJECT: DROP IN INVESTMENT FOR EC STEEL INDUSTRY

1. THE PROLONGED CRISIS IN THE STEEL INDUSTRY AND THE
DETERIORATION OF THE FINANCIAL SITUATION IN MANY STEEL
COMPANIES IN THE EC HAS LED TO SLOW-DOWN IN INVESTMENT
WHICH COMMISSION STEEL EXPERTS BELIEVE WILL AFFECT EC
PLANS TO MAKE THE INDUSTRY MORE COMPETITIVE.

2. THE LATEST EC COMMISSION SURVEY OF THE COMMUNITY
STEEL INDUSTRY SHOWS THAT IN 1976 THE LEVEL OF INVEST-
MENTS IN THE IRON AND STEEL INDUSTRY DROPPED SLIGHTLY
IN CURRENT PRICES TO 3.1 BILLION UNITS OF ACCOUNT (U.A.)
COMPARED WITH 3.3 BILLION U.A. IN 1975. MEASURED IN
TERMS OF CONSTANT 1970 PRICES, HOWEVER, THIS REPRESENTS
A DECLINE OF ABOUT 20 PERCENT. THE SURVEY INDICATED
A FURTHER 15 PERCENT DECREASE IN CONSTANT TERMS IS
LIKELY FOR 1977.

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3. THE FOLLOWING TABLE GIVES REGIONAL BREAKDOWN OF
INVESTMENT EXPENDITURE IN 1975 AND 1976 AS WELL AS
FORECASTS FOR 1977 (IN MILLIONS OF U.A.).

--	1975	1976	1977
NORTHERN GERMANY	172.3	169.4	132.2
NO. RHINE-WESTPHALIA	438.1	523.7	446.0

SOUTHERN GERMANY	38.8	22.2	24.4
SAAR	92.0	76.5	663.5
FRG	741.1	791.5	138.7
BELGIUM	349.1	279.5	165.2
FRANCE - EAST	192.3	205.0	108.0
FRANCE - NORTH	135.1,	115.2	81.5
FRANCE - OTHER REGIONS	247.1	140.7	81.5
FRANCE	574.4	460.9	354.7
ITALY - COASTAL REGION	349.4	337.9	352.5
ITALY - OTHER REGIONS	247.6	206.5	158.6
ITALY	597.1	544.4	511.1
LUXEMBOURG	50.7	56.6	124.3
NETHERLANDS	111.2	67.0	51.0
SCOTLAND	90.3	106.7	118.2
WALES	301.3	265.5	264.9
NORTHERN ENGLAND	409.8	522.1	384.7
ENGLAND - OTHER AREAS	43.1	43.9	26.1
UNITED KINGDOM	844.6	938.2	739.9
DENMARK	48.1	15.6	8.4
IRELAND	15.2	0.1	9.6
TOTAL EC	3331.5	3153.7	2655.0

4. OVER THE 1977-1980 PERIOD PRODUCTION CAPACITY IS EXPECTED TO GROW AT ONLY 2 PERCENT (AVERAGE) COMPARED TO THE 2.7 PERCENT AVERAGE INCREASE OF ACTUAL PRODUCTION BETWEEN 1960 AND 1976.

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5. THE COMMISSION NOTES THAT THE OVERALL EMPHASIS OF THE REPLIES WAS ON CONSOLIDATION OF EXISTING CAPACITIES AND A HESITATION, IN VIEW OF UNCERTAIN DEMAND FORECASTS, TO PROCEED WITH MODERNIZATION INVESTMENTS. MOREOVER, IN THE ABSENCE OF A MAJOR RECOVERY IN STEEL PRICES AND PRODUCTION, THE LARGE VOLUME OF INTEREST AND CAPITAL REPAYMENTS ASSOCIATED WITH PAST BORROWINGS WILL LIMIT FUTURE INVESTMENT FOR EVEN THE MOST ESSENTIAL MODERNIZATION PROJECTS. HINTON

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